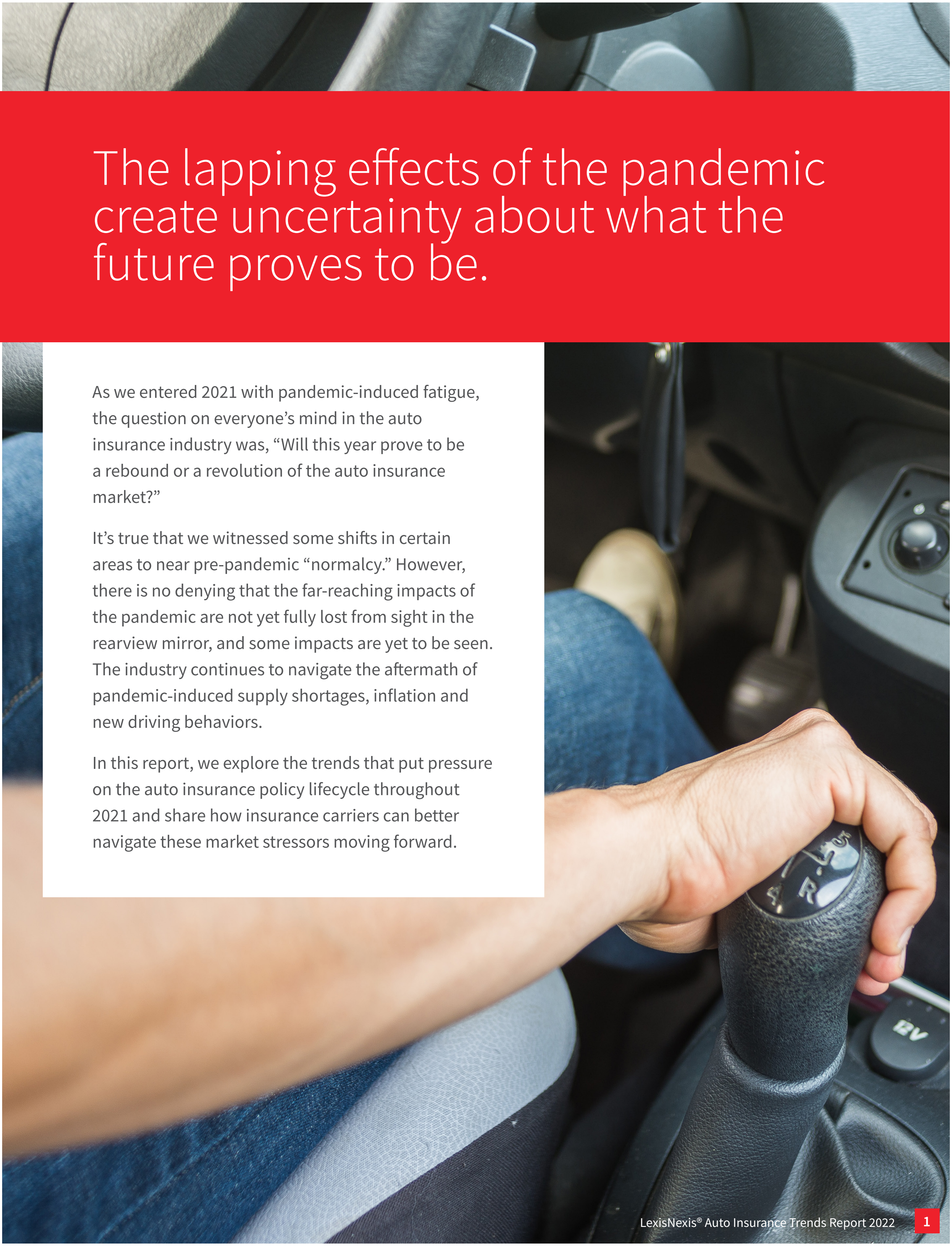
LexisNexis® RISK SOLUTIONS | Insurance

2022 LexisNexis® Auto Insurance Trends Report

Rebound or revolution?

2022

Table of Contents



The lapping effects of the pandemic create uncertainty about what the future proves to be.

As we entered 2021 with pandemic-induced fatigue, the question on everyone's mind in the auto insurance industry was, "Will this year prove to be a rebound or a revolution of the auto insurance market?"

It's true that we witnessed some shifts in certain areas to near pre-pandemic "normalcy." However, there is no denying that the far-reaching impacts of the pandemic are not yet fully lost from sight in the rearview mirror, and some impacts are yet to be seen. The industry continues to navigate the aftermath of pandemic-induced supply shortages, inflation and new driving behaviors.

In this report, we explore the trends that put pressure on the auto insurance policy lifecycle throughout 2021 and share how insurance carriers can better navigate these market stressors moving forward.

U.S. auto insurance shopping

A new pandemic macro environment influences auto insurance shopping

In 2021, U.S. auto insurance shopping and new policy growth numbers continued to be influenced by the coronavirus pandemic, marking the second consecutive year of volatile shopping and new business patterns (Figure 1).

Year-over-year change in insurance shopping and new policies

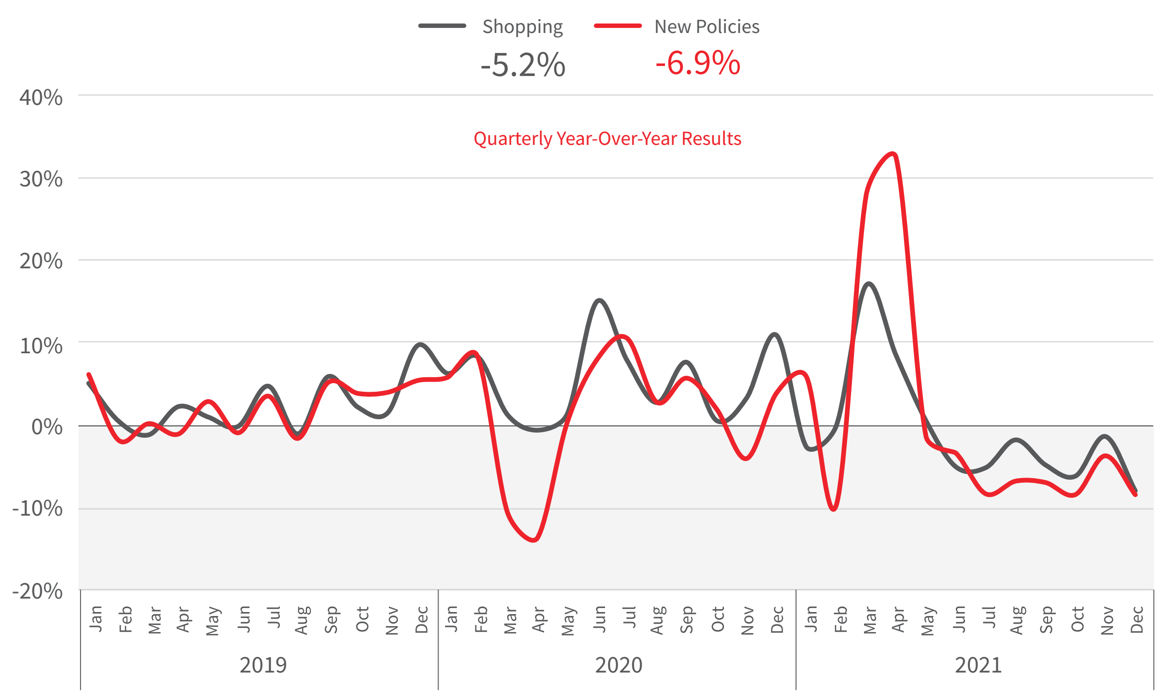


Figure 1. Shopping and new business continued to be erratic into 2021.

We saw continued shifts in seasonal auto insurance shopping trends, including delayed timing of the first-quarter bump that normally corresponds with tax returns. We also observed a return to more traditional demographic shopping patterns, driven by a resurgence of shoppers ages 16-45—who overtook gains made in 2020 by the 66+ age group. Additionally, we noted evolving trends in distribution models, with the exclusive agent channel maintaining quoting volumes over the second half of the year while the use of independent agents and direct channels declined.

One of the bigger influences on shopping growth patterns in 2021 was the global microchip shortage. Without microchips, fewer new cars were available. This suppressed vehicle purchases and thus auto insurance shopping—as vehicle purchases account for as many as one in three auto insurance shopping events.

Figure 2 shows the volume of new vehicle purchases that were added to insurance policies by month for the past four years. The large increase in March and April of 2021 was likely fueled by tax returns and the final round of stimulus checks. However, new vehicle inventory shortages began to impact the market in July, with a notable decrease in available vehicles compared to the previous three years. This downward trend was evident throughout the remainder of the year.

While economic experts predict [i] continued low inventory and higher prices will prevail for a few more quarters, the chip shortage is starting to abate, and car prices are expected to normalize by 2022 year-end or early 2023.[ii]

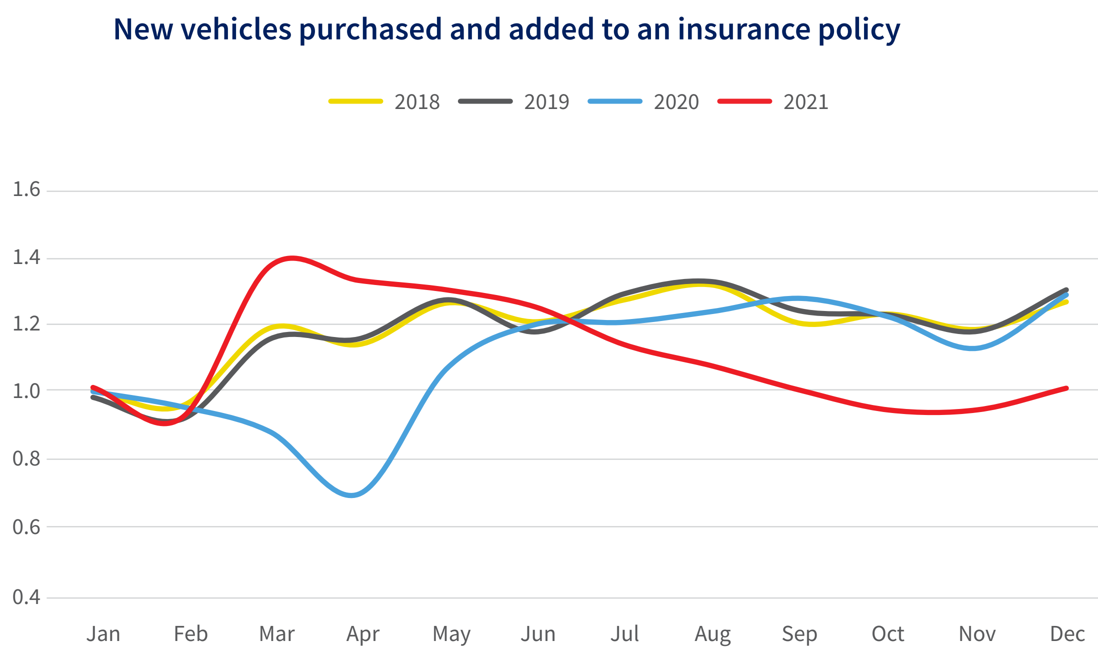


Figure 2. New vehicle inventory shortages cause a downward trend in the second half of 2021.

With a return in 2021 to more normal driving patterns, there was a corresponding uptick in claims frequency coupled with abnormal increases in claims severity (see the Claims section of this report for details). This prompted an accelerated pace of rate increases in several U.S. states over the course of the year.

In addition, beginning in Q3, the auto insurance industry saw a significant reduction of year-over-year direct mail activity that further declined in Q4, as insurers appeared to be waiting to get their rates back in order before they resumed marketing spend. The pace of rate filings (some with significant increases) will continue to pick up as higher loss trends become evident industrywide. Significant rate disruption has traditionally been a catalyst for high auto insurance shopping volumes.

Despite the 2021 volatility and nearly two years of atypical market behavior, by the end of 2021, U.S. auto insurance shopping patterns began to align more closely to 2019, which was the last full year of pre-pandemic “normalcy” (Figure 3). What’s not clear is if this is a true sign that we are returning to pre-pandemic patterns.

Total shopper volume

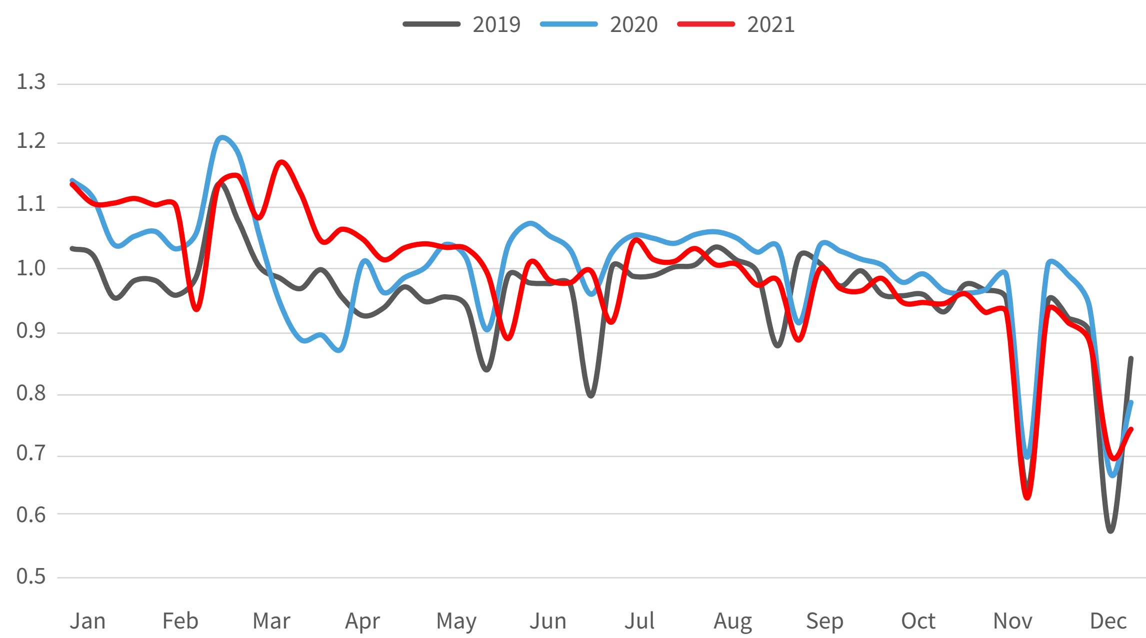


Figure 3. By year-end, U.S. auto insurance shopping volumes aligned more closely to pre-pandemic levels.

Considerations for the road ahead

Regardless of the uncertainty about the direction shopping trends might take in the future as the impacts from the pandemic level out, auto insurance carriers have several opportunities to develop new offerings that target segments within a larger, more diverse customer base.

Your starting place is to be fully aware of what’s taking place within your own book of business. By thoroughly understanding your customers’ shopping habits and behavior, you’ll be able to engage with them more effectively. Sophisticated data analytics is your primary tool for developing the customized insights that can help you grow your business.

We invite you to read the LexisNexis® Insurance Demand Meter for in-depth insights and a quarterly analysis of U.S. auto insurance shopping trends to help you make more informed decisions.

Vehicle sales and advanced driver assistance systems (ADAS)

Reduced car sales have a ripple effect on ADAS adoption

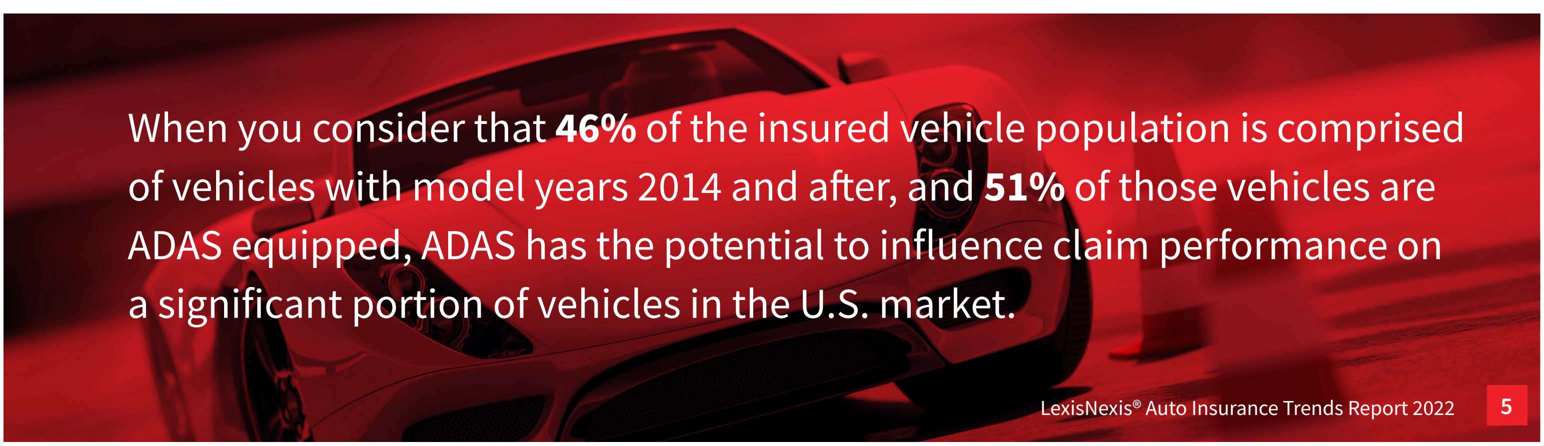
By the end of 2021, new vehicle inventory in the U.S. was approximately 1.1 million, down from 2.9 million at the end of 2020 and 3.6 million in 2019. Supply chain issues, including the earlier mentioned scarcity of microchips, meant the availability of vehicles for purchase could simply not keep up with consumer demand.

Consequently, the average new vehicle list price hit a record of $45,778 at the end of 2021. For comparison, the average list price at the end of 2020 was $40,650 and $38,362 at the end of 2019.[iii] As noted in the previous section, new and used car purchases typically account for one third of all auto insurance shopping events, so the reduction in inventory in 2021 negatively impacted the number of quote transactions.

Despite the downtick in new vehicles entering the market in 2021 that slowed the adoption rate, the number of vehicles equipped with ADAS has continued to steadily increase with the launch of each new model year.

ADAS features first became notable on vehicle model year 2014. When you consider that 46% of the insured vehicle population is comprised of vehicles with model years 2014 and after, and 51% of those vehicles are ADAS equipped, ADAS has the potential to influence claim performance on a significant portion of the car parc (the number of vehicles in the U.S. market).

Taking a closer look, a recent LexisNexis study indicates the pure premium benefit of ADAS is driven primarily from a reduction in claim frequency, with claim severity having minimal impact. Vehicles with ADAS features were shown to have a 23% reduction in Bodily Injury loss cost, a 14% reduction in Property Damage loss cost and an 8% reduction in Collision claim loss cost when compared to similar non-ADAS vehicles (Figure 4).[iv] Because loss cost performance varies based on the combination of ADAS features, there is opportunity for rating segmentation depending on with which features vehicles are equipped.



When you consider that **46%** of the insured vehicle population is comprised of vehicles with model years 2014 and after, and **51%** of those vehicles are ADAS equipped, ADAS has the potential to influence claim performance on a significant portion of vehicles in the U.S. market.

Claim relativities of ADAS vs. non-ADAS vehicles

ADAS vs. non-ADAS results of the multivariate frequency and severity analysis:

- 23% reduction in bodily injury loss cost
- 14% reduction in propery damage loss cost
- 8% reduction in collision claim loss cost

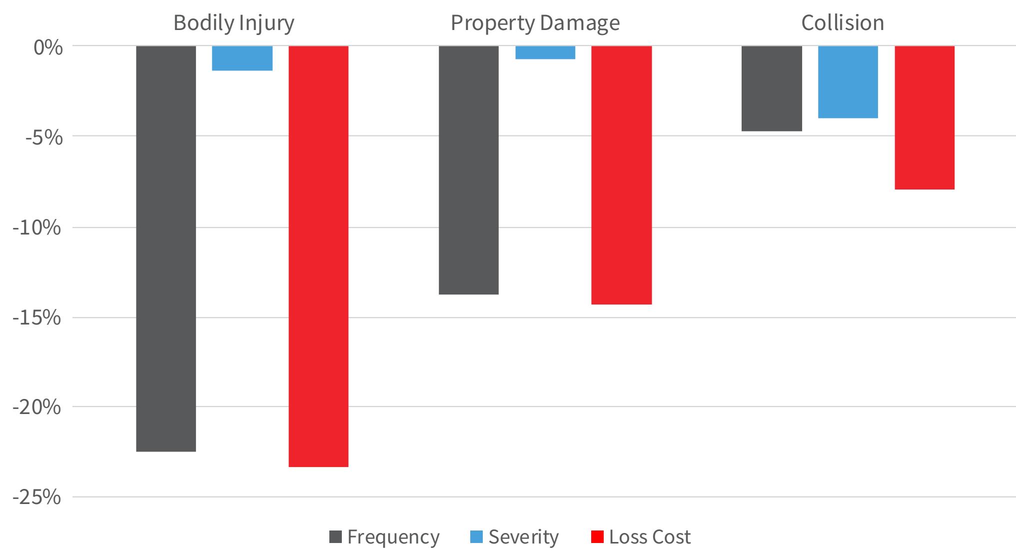


Figure 4. ADAS features can reduce claim costs across the board.

Looking forward, vehicle inventory and pricing is expected to be driven by the status of the microchip supply. *TD Economics* projects that inventory levels could return to levels similar to 2019 by the end of 2022 or the beginning of 2023.[v] Certainly there are extenuating factors that could influence that projection, but a normalization of vehicle inventory levels should have a positive impact on insurance shopping transactions and ADAS adoption.

Considerations for the road ahead

The level of warranted premium discount varies based on which ADAS features are present in the vehicle. When you understand which vehicles have which ADAS features and how those features relate to loss cost performance, you can apply appropriate discounts to the individual and the vehicle—meeting consumer expectations for fairness while protecting your business from unnecessary risk. This is vital information that will put you in a better competitive position as the vehicle market and ADAS adoption evolve.

We offer insurers specific information about Bodily Injury, Property Damage and Collision claim impacts on claim frequency, severity and loss cost for all 648 possible combinations of core ADAS features, as well as the opportunity to run a VIN test comparing your book of business to an industry benchmark. Our LexisNexis® Vehicle Build solution gives you the deeper insights you need into vehicle-centric risk so you can rate with greater precision.

Miles driven

Monitoring the rebound of miles driven as a predictor of risk

Miles driven in 2021 had yet to rebound to the 2019 benchmark level, although it was close. For example, mileage per week/per vehicle in the last quarter of the year was down only 5% compared to the 2019 baseline (Figure 5). Also, the last two weeks of 2021 showed a drop in miles driven compared to 2019, down approximately 9%.

While year-over-year mileage trends show a dip in miles driven at the end of each year, our assumption is that the surge in Omicron variant COVID-19 cases contributed to the slightly deeper decline at the end of 2021.

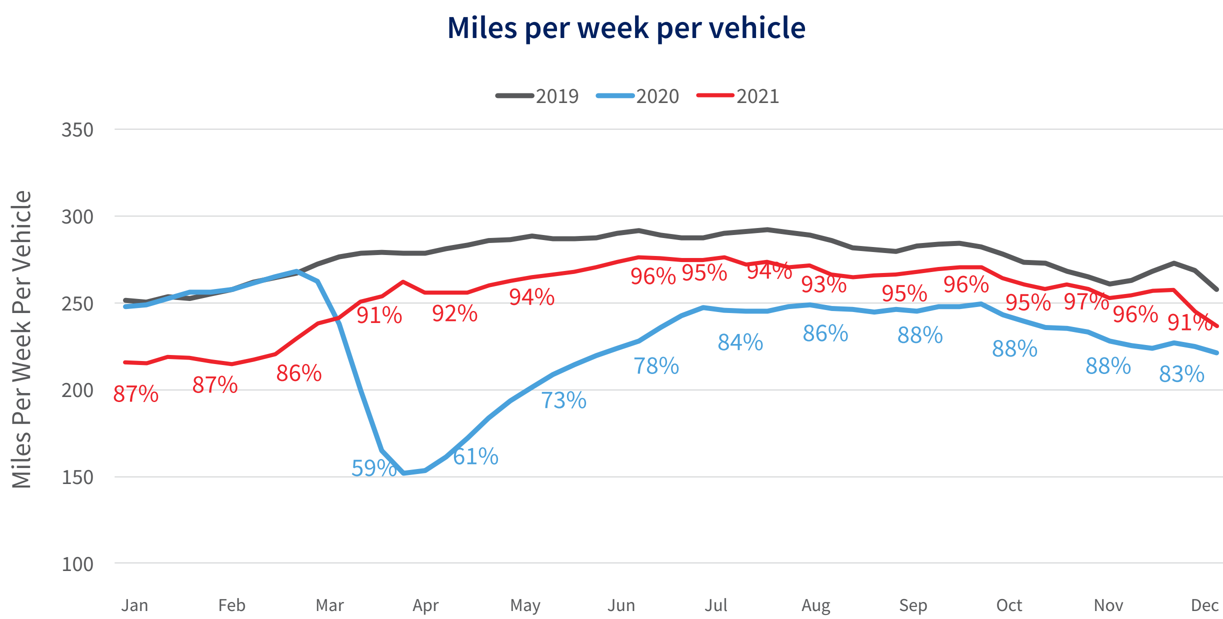


Figure 5. Miles driven in 2021 more closely align to the “normal” of 2019 than the miles driven in 2020.

Given that rating on “miles driven” remains a strong predictor of loss frequency, we thought it important to take a deeper look at the potential impact of the current trend.

Historically, auto insurance carriers have used a stairstep approach, applying rate factors in fairly broad groupings (for example, 1,500 to 3,000-mile bands). However, bucketing annual mileage into 1,000-mile bands allows for greater segmentation opportunities. Another advantage of using more granular bands is a smoother transition for consumers moving across these mileage bands due to fluctuations in their driving habits. For example, we expect to see a continued increase in miles driven and the subsequent shift in risk exposure as more people return to the office or generally venture out with the increased elimination of post-pandemic restrictions. For some who are in the current rating structure (or bands), the relative change in premium could be a lot higher when moving from one mileage band to another. However, insurers can temper the impact of premium change over time by using the more granular bands.

To support the more granular mileage rating and account for the variability in miles driven, insurers need a combination of recent and frequently populated mileage information. Historically, there has been a challenge to source "traditional" mileage data based on dealer information or service events because the data may often be incomplete and out of date (for example, an odometer reading from an oil change eight months ago and another mileage reading collected from a previous year's emissions test).

However, we're starting to see an improvement in that arena. In 2021, our LexisNexis® Vehicle History solution benefited from 270 million odometer records, representing an additional 30 million unique vehicles. This incremental mileage data translates to an annual mileage fill rate increase of 50% (calculated using data from the last three years). We recognize mileage data is a critical component to use when evaluating a vehicle's history and we are committed to continuously expanding the frequency and recency of reported mileage information.

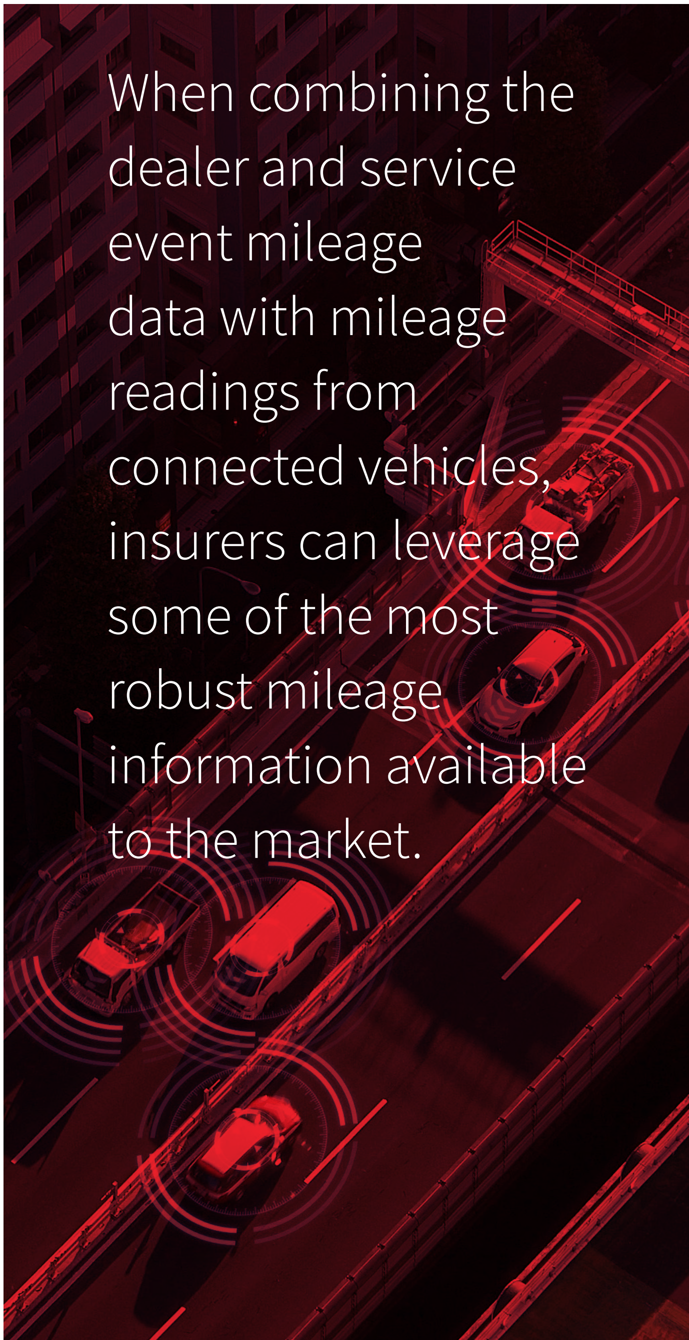
The availability of recent and frequently populated mileage data doesn't stop there. We're quickly moving to a world where mileage readings are more frequent and accurate because they're coming directly from connected vehicles. When combining the dealer and service event-based mileage data with mileage readings from connected vehicles, insurers can leverage some of the most robust mileage information available to the market.

We estimate that of the 265 million vehicles in operation, 50 million are vehicles with connectivity capabilities that allow the transmission of odometer mileage data. Our relationships with automakers and integrations specific to mileage from connected vehicles will represent over 30% of all connected vehicles in 2022 and continues to grow rapidly.[vi]

265 Million vehicles

50 Million connected vehicles

Our partnerships with automakers and integrations specific to connected mileage will represent over **30%** of all connected vehicles in 2022.



Where fill rates are concerned, we can calculate a recent annual mileage figure on more than 90% of the connected vehicles in our database. Mileage readings from connected vehicles not only support the more prevalent use of mileage data in rating, but also help strengthen an insurer’s ability to execute “Pay as You Drive” policies and other mileage monitoring programs. While mileage data from dealer and service event-based readings has recency and population gaps, mileage readings from connected vehicles may provide odometer readings monthly, at a minimum, and include up to 12 months of historical readings that can show fluctuations in driving habits.

Considerations for the road ahead

As 2022 looks to be a more “normal” year in terms of miles driven, now is a good time for you to evaluate how you gather and use mileage information. While mileage data from dealer and service continues to be an important mileage data source, adding mileage data from connected vehicles helps give you a more complete and more accurate picture of risk.

Thanks to ongoing technological advancements championed by automakers, the number of connected vehicles on the road will continue to rise. This availability of more accurate and complete mileage information will deliver more sophisticated data and segmentation opportunities, allowing you to rate more precisely.

Telematics

Telematics market advancements drive optimism about increased adoption

Miles driven has not been the only moving target in terms of driving behavior trends in the past year. Our 2021 driving data analysis also revealed changes in trip patterns.

Rush hour driving volume per day was more prevalent on Mondays and Fridays, compared to other weekdays—likely due to the increase in remote and hybrid work styles. Further, while the rush hour itself returned to pre-pandemic levels, the typical rush hour timeframe shifted slightly. Prior to the pandemic, peak rush hour was between 5-6pm. The new peak rush hour in 2021 was between 4-5pm.

These notable shifts in driving patterns coincided with higher consumer interest in telematics-enabled usage-based insurance (UBI), as insureds increasingly feel that more traditional insurance models may no longer fit their needs.

According to a December 2021 U.S. Consumer Survey, we found that 67% of consumers are aware their driving and vehicle data can be used for insurance discounts and 71% of consumers are interested in using their driving and vehicle data for insurance discounts. However, only 22% of consumers have used their driving and vehicle data for discounts on their insurance premium.

76% of the top 50 U.S. auto insurance carriers believe telematics data can reduce the overall cost of insurance.

Core to future business success

According to another survey we conducted in mid-2021, 76% of the top 50 U.S. auto insurance carriers (based on direct written premiums) believe telematics data can help reduce the overall cost of insurance for consumers. Among those insurers surveyed, four out of five currently use telematics data, mostly through smartphone applications (apps). Nearly half of surveyed insurers (48%) manage their telematics programs through a homegrown app.

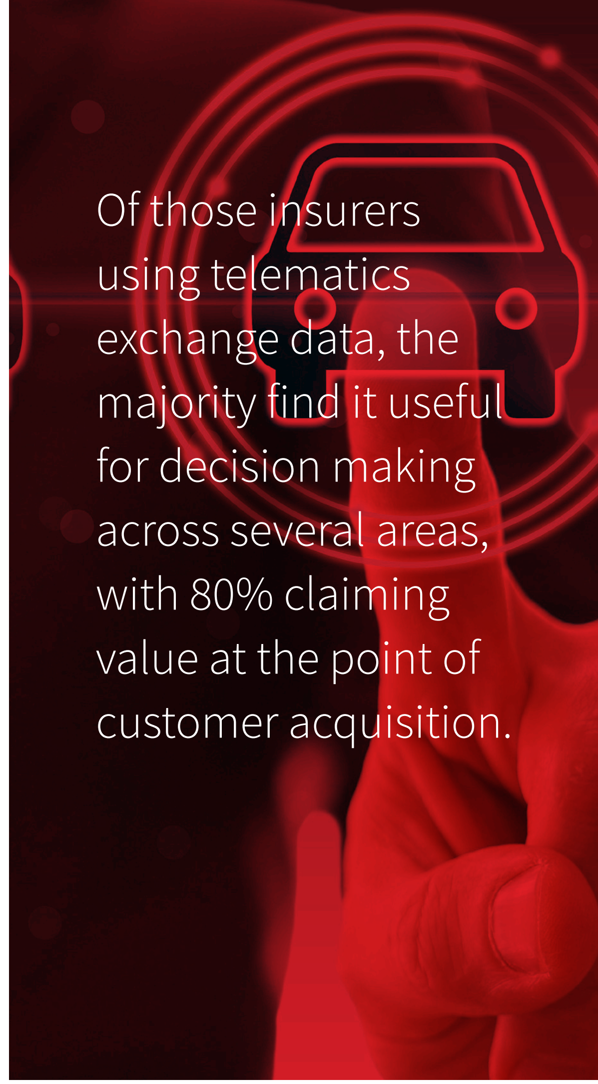
The survey also shows that insurers perceive apps, even when homegrown, do not fully meet the needs of their telematics programs. Approximately 60% of respondents said the apps yield incomplete and limited telematics data, making insurers less confident in the telematics data they're using to assess and calculate risks. Also, telematics programs run through insurer apps typically require consumers to complete a trial period, meaning the data's impact is delayed until first auto insurance renewal. Even then, telematics data is collected over time and analyzed before it can be used in a UBI policy that may lead to a lower auto insurance premium.

Despite these perceived shortcomings with apps, insurers are generally optimistic about the future of telematics data. Seven of the top 10 U.S. insurance carriers that took part in our 2021 survey said that telematics data will become part of their core business in the future. Among the top 50 insurers surveyed, 96% said they believe they need to invest in telematics data now or run the risk of being left behind the competition within three to four years' time.

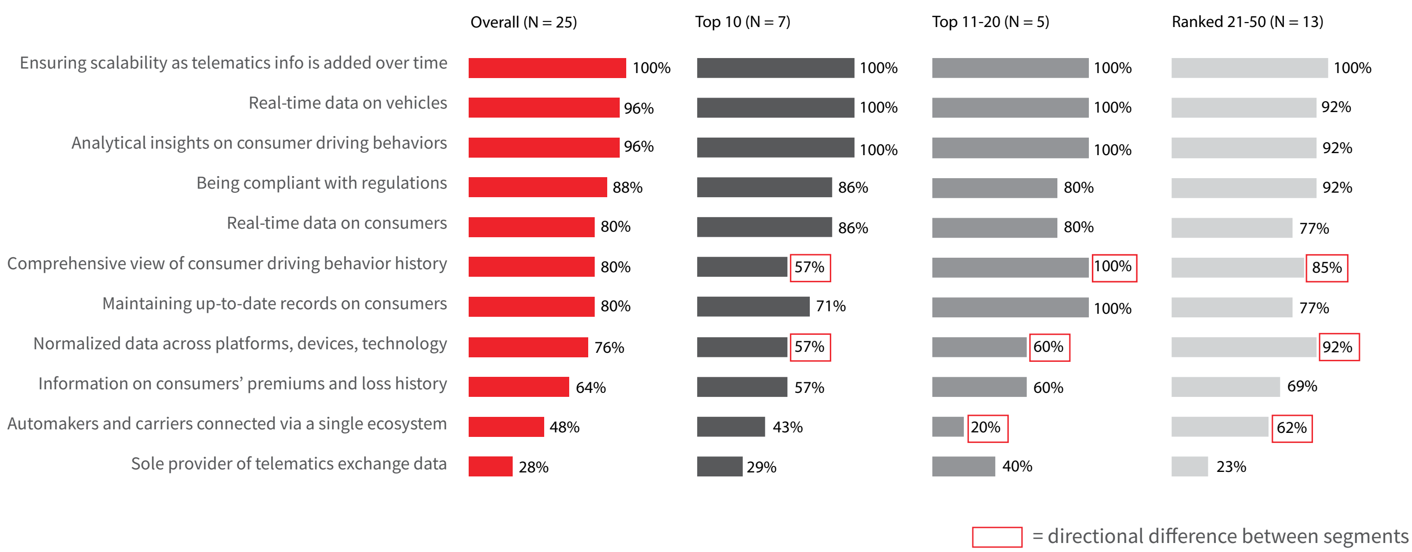
Advances in data collection and sharing will help drive adoption

A telematics exchange is an evolving solution that has the ability to help with decision making. Telematics exchange data can be ingested and normalized from many sources, including automakers, connected vehicles and mobile apps. In addition to their own telematics app programs, insurers indicate that they feel confident and optimistic about the data a telematics exchange is delivering to the market.

Although only 30% of insurance carriers were using telematics exchange data at the time of our survey, all respondents answered that they are “at least somewhat interested” in using telematics exchange data within the next three years, with the top 10 insurers expressing the highest interest. Of those insurers using telematics exchange data, the majority find it useful for decision making across several areas, with 80% claiming value at the point of customer acquisition. Insurers perceive features of a telematics exchange solution to include scalability, timely data about driving behavior and compliance with regulations (Figure 6).



Perceptions of features of telematics exchange data (% credible/very credible)



Q9A: To what degree do you believe the following features can be delivered from a Telematics Exchange?

Figure 6. A significant majority of insurance carriers believe a telematics exchange can deliver multiple benefits.

Telematics data from a telematics exchange can help both consumers and insurers. Consumers may receive a more personalized auto insurance quote and offer based on their actual driving behavior when their risk is assessed through timely telematics exchange data. Insurers of all sizes may use a telematics exchange to leverage data at point of auto insurance quote and beyond, which can help improve their books of business. Telematics exchange data can offer consumers more personalized offerings from the auto insurance market through a more seamless experience by incorporating telematics data directly into the insurance workflow.

Insurer interest in telematics exchange capabilities is growing as insurers better understand and grasp the value telematics exchange data brings to their business. The 2021 survey shows that insurers will use smartphone telematics apps along with telematics exchange data solutions.

The 2021 survey shows that insurers will use both smartphone telematics apps and telematics exchange data solutions in the long term.

Considerations for the road ahead

As driving behaviors and trends continue to evolve, more consumer driving data will support market expansion. With the market advancement of the telematics exchange, smartphone app programs will often work alongside telematics exchange solutions. However, they will likely become a less relied upon telematics data source in the future as the overall benefits of telematics data from a telematics exchange become too obvious to ignore. LexisNexis® Risk Solutions serves this growing demand today. By using LexisNexis® Telematics OnDemand, powered by our telematics exchange, you have the ability to integrate telematics data more seamlessly into your existing workflows at point of quote as well as at renewal.

Telematics OnDemand also provides you with two advantages. First, the data is processed, analyzed and delivered as scores and attributes. Second, once consumers take advantage of the option to share their driving data for UBI programs, it becomes portable. Consumers can shop for auto insurance policies, supply their driving and vehicle behavior data upfront, and receive a quote more tailored to them, regardless of where they source their policy. This capability offers you the benefit of using telematics data at quote without incurring additional costs and operating responsibilities.

Violations

Changes in driving behavior alter the violation mix

Violations tie closely to vehicle miles traveled. At the height of the lockdown in 2020, we saw overall driving violations decline significantly, closely correlating with the decrease in drivers out on the roadways. And, while data shows that overall miles driven rebounded in 2021 to near pre-pandemic levels, how those miles were driven was different than in the past. This includes changes in commute patterns, an increase in riskier driving behaviors, and altered enforcement and ticketing initiatives. Thus, we also see a notable shift in the type of violation mix being reported in 2021.

The National Highway Traffic Safety Administration (NHTSA) provides context for these shifts in the following projections from its report, Traffic Fatalities Rise in First Nine Months of 2021:

During the first nine months of 2021, fatalities increased in 38 states, remained flat in two states, and decreased in 10 states and the District of Columbia.

According to the Federal Highway Administration, vehicle miles traveled in the first nine months of 2021 increased by about 244 billion miles, an 11.7% increase from the same time period in 2020.

With record-breaking fatalities reported over the past two years, traffic fatalities have become a “national crisis” and road safety will be a key topic moving into 2022.

Violation mix

In an internal study focused on moving violations, which tend to be of the greatest concern to insurance carriers, we discovered how moving violations in aggregate closely mirror vehicle miles traveled (Figure 7).

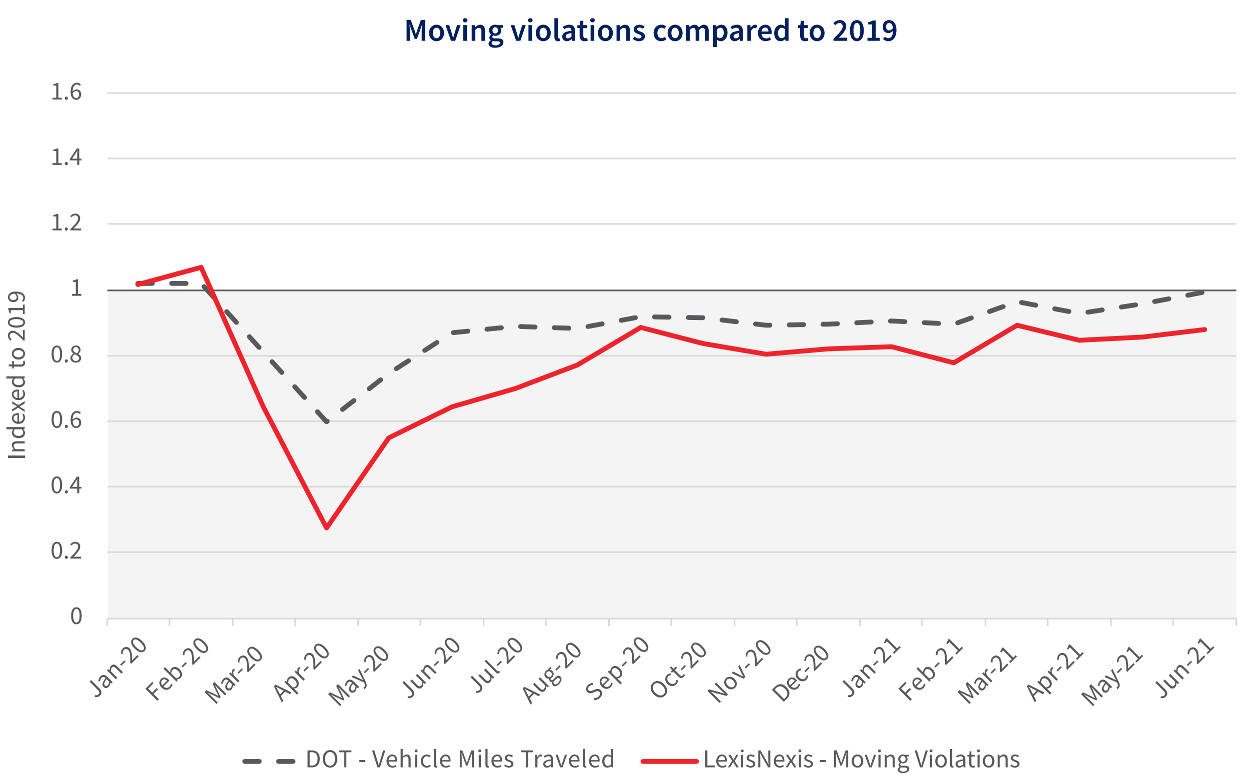


Figure 7. Miles traveled parallel moving violations data.

Speeding violations in general rebounded back to 2019 levels in the second half of 2020 and have stayed consistent with miles driven. The dips and peaks (Figure 8) are mostly due to seasonality. However, major speeding violations account for the abnormal rise, whereas minor speeding violations are more in alignment with miles driven. Consequently, the number of roadway fatalities has also increased.

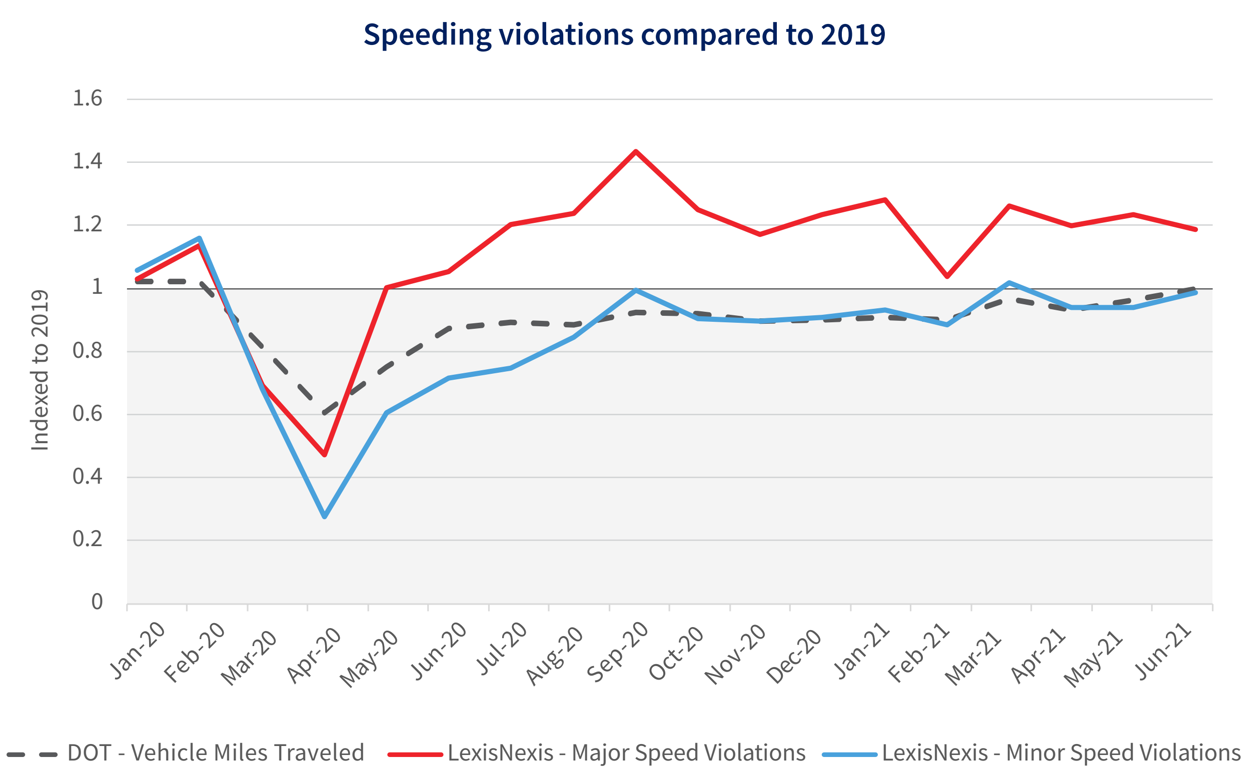


Figure 8. A significant aberration in the violation mix is prompted by higher-than-normal levels of major speeding violations.

DUI violations

While our internal data shows DUI violations trended down sharply during the initial shutdown in 2020, as of 2021, they rebounded back to close to 2019 levels and directly correlate with miles driven (Figure 9). However, unlike other violations, DUI violations take longer to process through the court system, so the data can lag.

Seasonality also plays a role in the data. Notably in Q4 of 2020, violation numbers are lower, most likely because people were celebrating the holidays virtually. With the spike of the Omicron variant in Q4 of 2021, we will likely see a similar trend once the violations are fully processed.

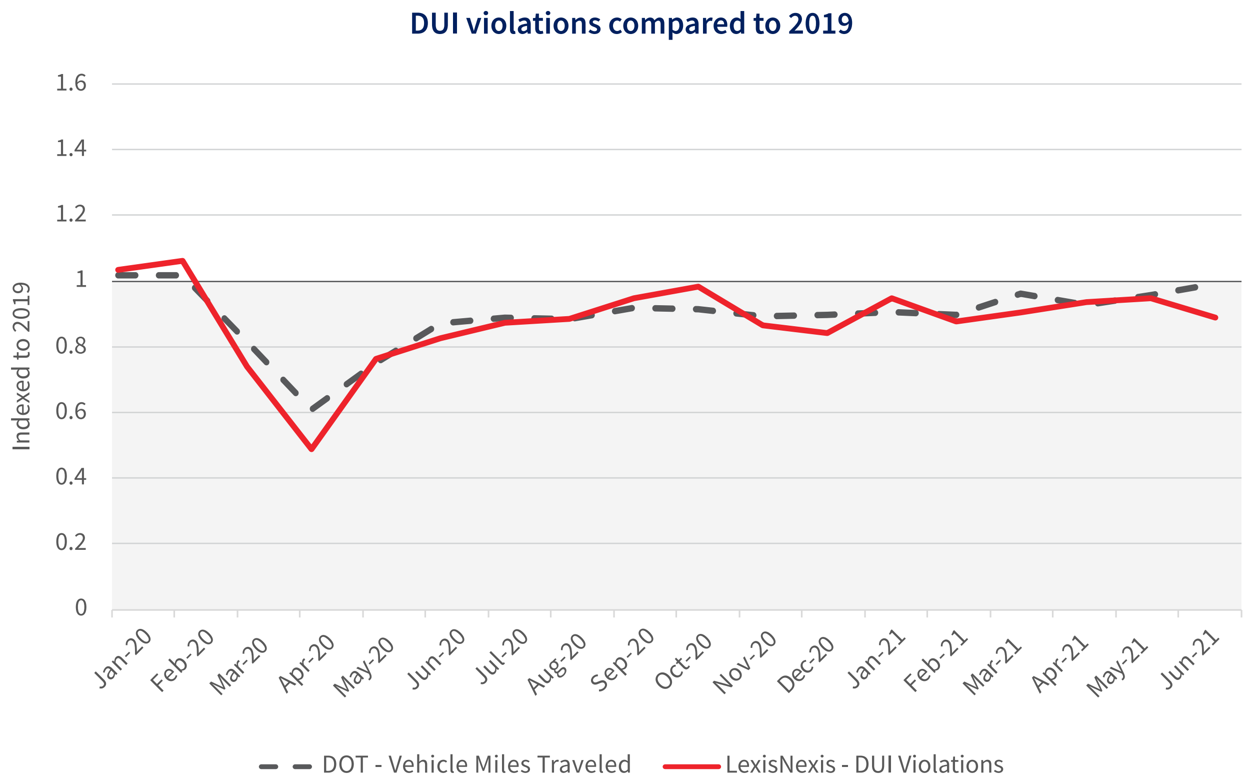


Figure 9. DUI violations have rebounded to close to 2019 levels and track closely with miles driven.

Distracted driving

By some measures, distracted driving has become a public health epidemic. Even though Americans drove less in 2020 because of the pandemic, there were more than 40,000 traffic fatalities that year—the largest number since 2007. Many of these fatalities were attributed to distracted driving.[vii]

In 2021, we saw an uptick of distracted driving violations, which included a few peaks and valleys, but still on a trajectory that corresponded to miles driven, following the big rebound in the fall of 2020 (Figure 10). A dip in April 2021 could be attributed to the high volume of violations recorded in April 2019—when April was recognized as Distracted Driving Month. In April of 2022, we expect to see a normal volume of violations from the ongoing reinforcement of Distracted Driving Month awareness.

Distracted driving violations compared to 2019

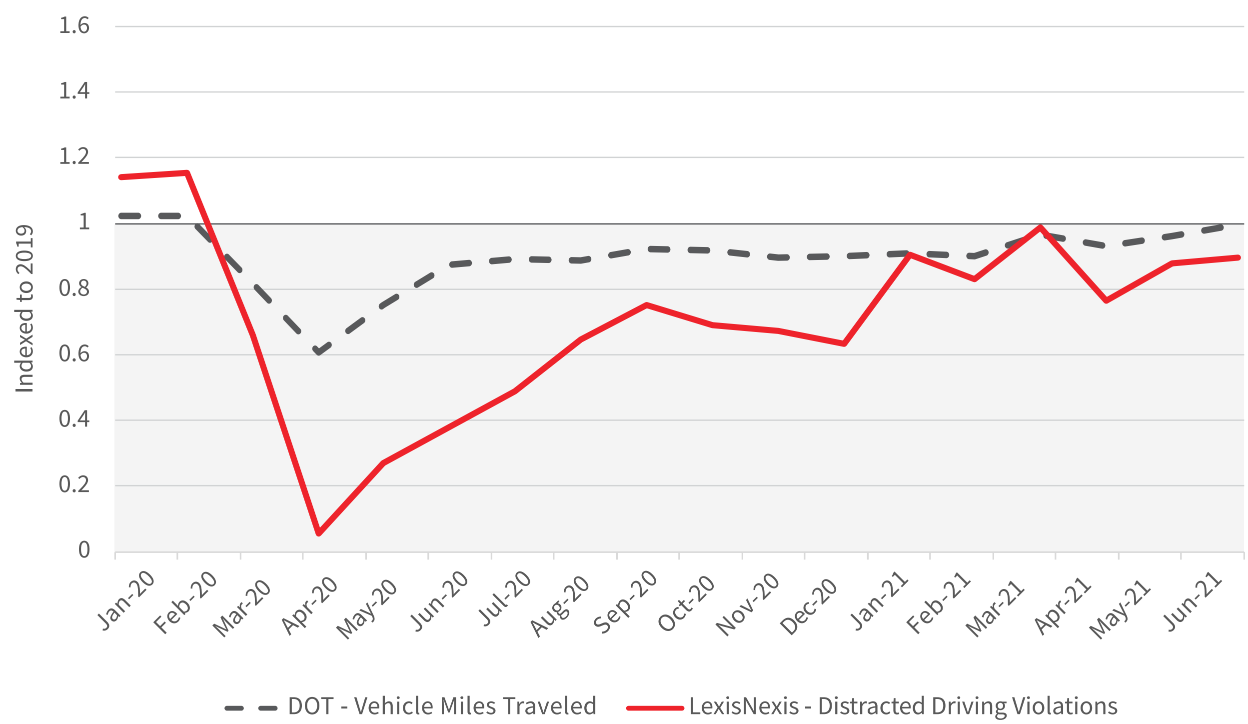
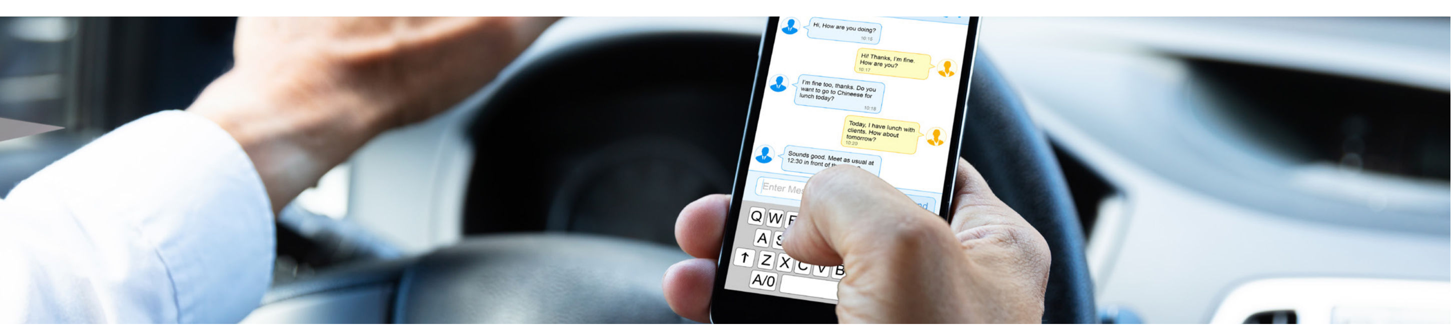


Figure 10. Distracted driving violations have continued a relatively steady uptick in parallel with miles traveled.



Enforcement/ticketing initiatives

Violations measured are impacted by law enforcement activity. The data shows that following the pandemic lockdown, law enforcement has been focused on targeting super speeders. In fact, in some cases major violation citations heading into 2021 were 20-40% above both 2019 and 2020 levels. For example, in Nevada, more than 5,100 citations were issued in 2021 to drivers speeding at over 100 mph, up from more than 3,500 in 2019 and more than 4,400 in 2020.[viii]

Other factors influencing the number of citations issued and adjudicated heading into 2021 include reduced law enforcement budgets, staffing shortages and legislative moves to reduce the number of low-level tickets.

Considerations for the road ahead

With the increases in risky driving behavior seen in 2021, all eyes are on those violations that matter the most to your business. Access to robust violation and public record information is critical in helping you make the right projections and better anticipate future risk so you can proactively adjust your rating plans.

LexisNexis Risk Solutions produces valuable quoting and underwriting tools that provide the insights you need to make the best underwriting decisions, retain profitable customers, better manage risk and improve financial performance.

Claims

Severity trends shift

Naturally, the big shifts in driving behaviors, violation trends and fatalities are reflected in claims severities. 2020 saw sharp increases in Bodily Injury severity overall, which may reflect the delay of Bodily Injury claims paid and closed after the onset of COVID-19 and the resulting upheaval in claims processes (Figure 11). Higher Bodily Injury severity numbers continued through 2020. Year-over-year changes in severity began to moderate in April of 2021 and actually briefly reached a negative year-over-year change in June of 2021. This is most likely simply the “mirror image” of the extreme spike experienced in the same time period in 2020, reflecting more normal patterns.

Bodily Injury severity year-over-year % change
(rolling 3-month average)

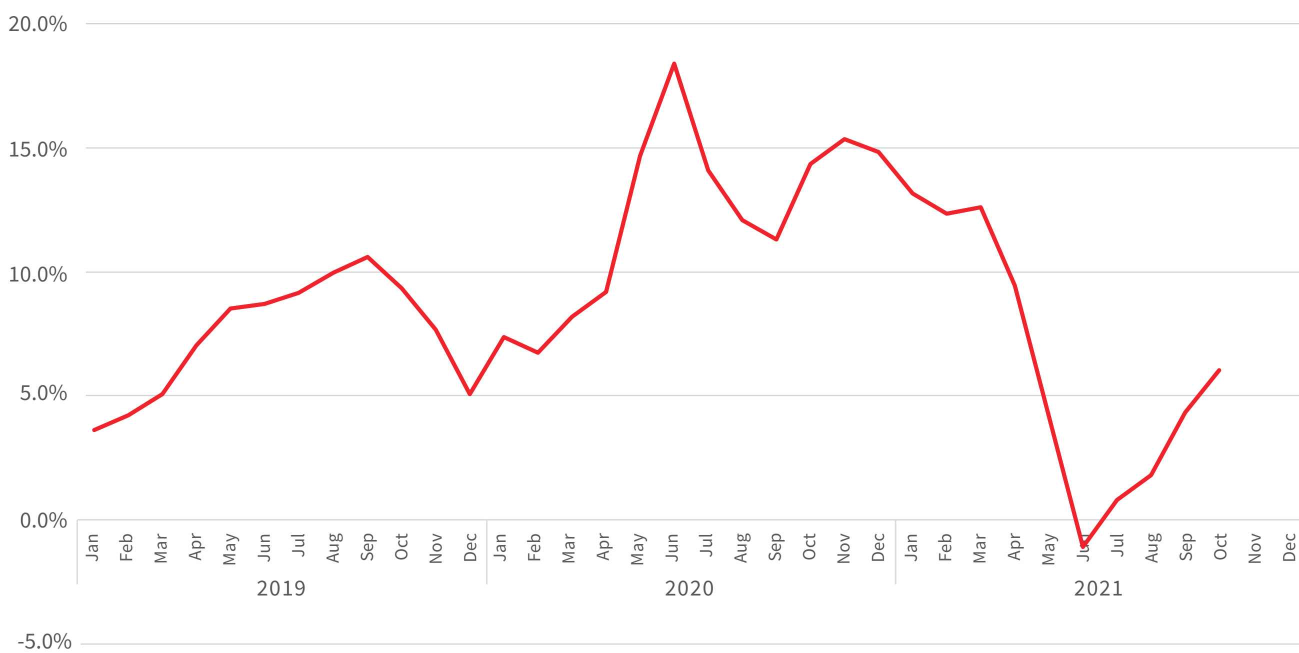


Figure 11. As reported in the Claims Dashboard within LexisNexis® Insurance Market Insights, bodily Injury severity hit a record three-year low in June of 2021.

Beginning in April 2021, Property Damage severity saw a drastic spike, peaking at a 14% year-over-year increase in August. This was likely due in part to inflation that impacted parts and labor costs, along with supply chain issues that caused longer cycle times.

Property Damage severity year-over-year % change
(rolling 3-month average)

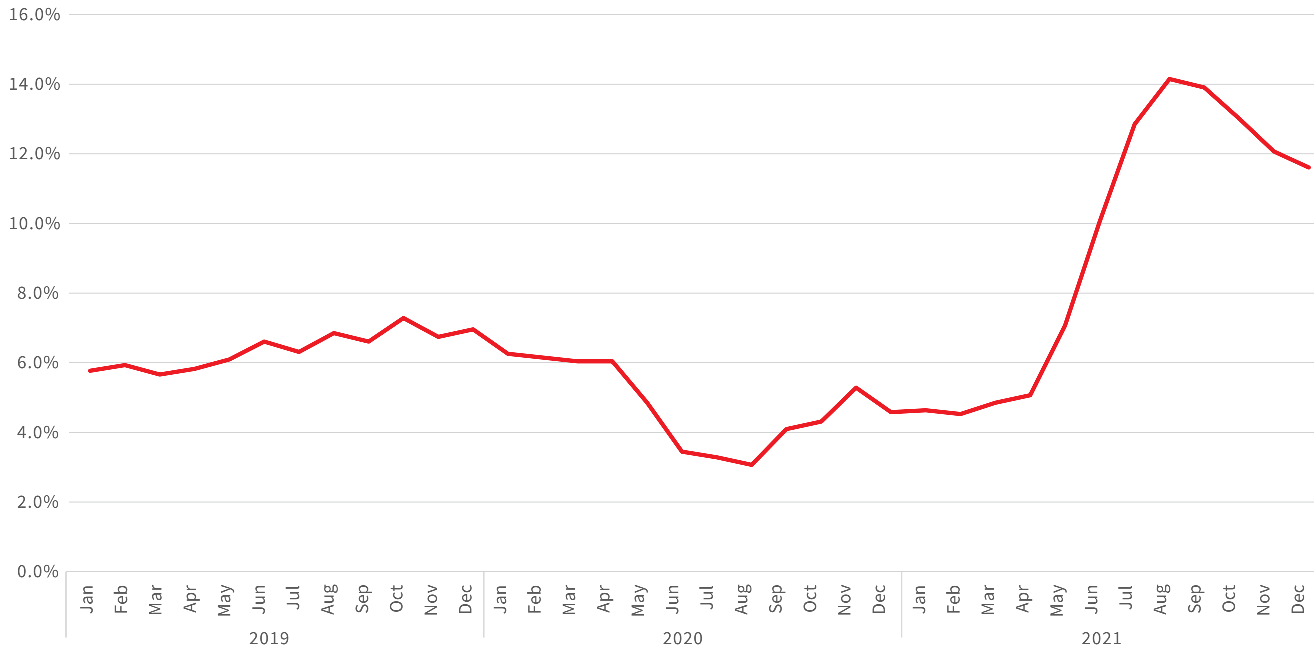


Figure 12. As reported in the Claims Dashboard within LexisNexis® Insurance Market Insights, Property Damage severity spiked significantly and abnormally beginning in May of 2021.

Unsurprisingly, Collision severity trends mirrored Property Damage, where we saw a sharp increase over the same time periods. In August, Collision severity was up a dramatic 23% from the same time in 2020 (Figure 13).

Collision severity year-over-year % change
(rolling 3-month average)

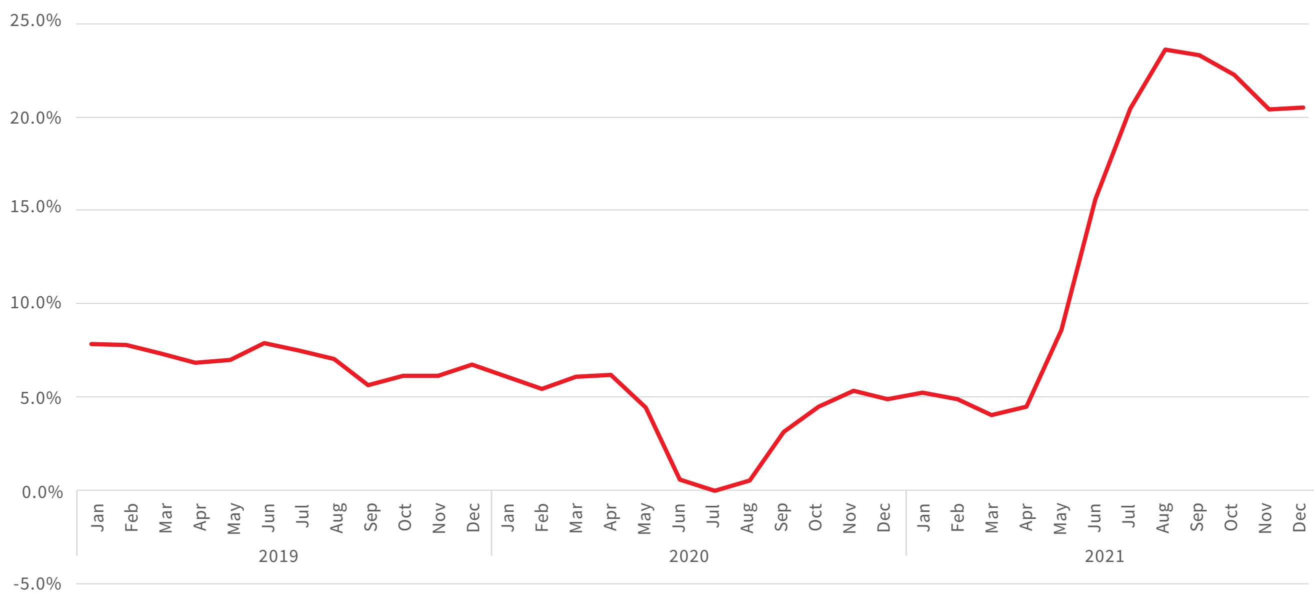


Figure 13. As reported in the Claims Dashboard within LexisNexis® Insurance Market Insights, collision severity follows a similar trajectory to Property Damage severity.

The increase in Collision severity also mirrors the upward trend we see in the number of Total Loss claims. As of October 2021, approximately 23% of claims resulted in a total loss. The percent of Collision losses that were totaled have increased 35% since 2016 (Figure 14), which is notable because LexisNexis Risk Solutions data indicates a positive correlation between Total Loss customer experience and policy shopping.

Percentage of collison claims that are total losses in the U.S.

These are claims paid and closed within a 90 day window of time

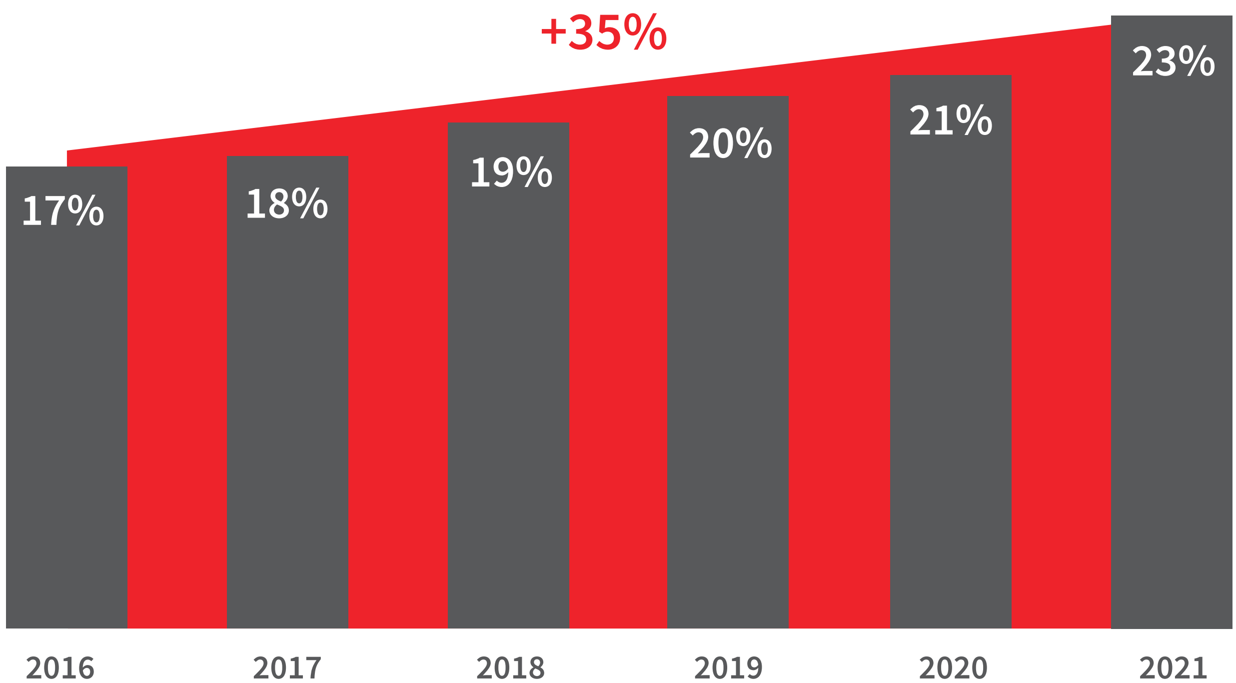
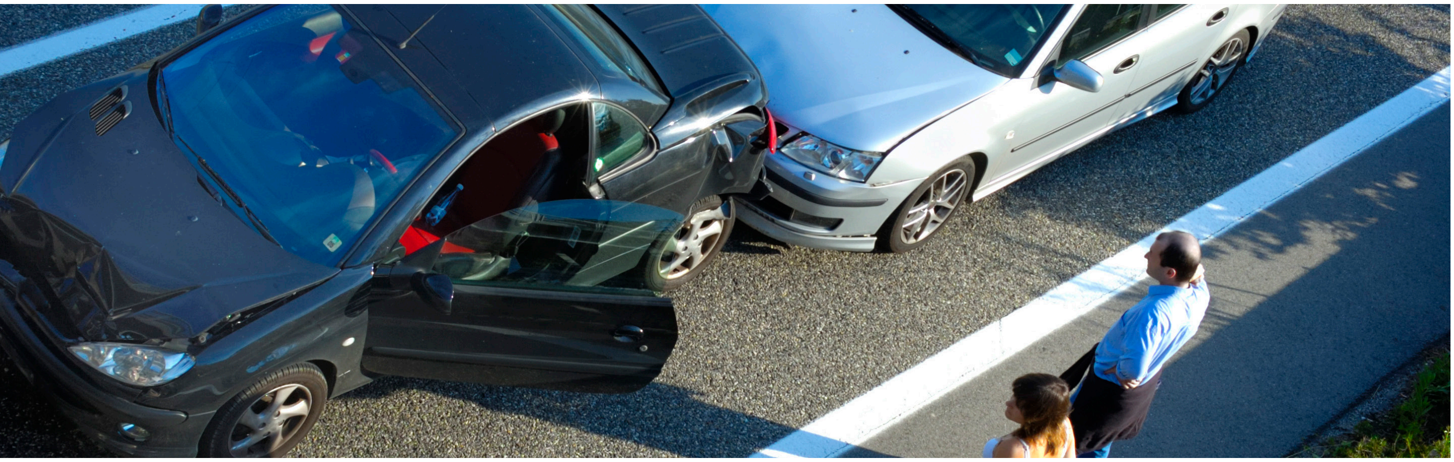


Figure 14. Total Loss claims have steadily increased over the past six years.

With severity trends changing, and in many cases dramatically increasing, insurers should work to keep the claims process as seamless as possible. That can mean incorporating more data and technology into the workflow and leveraging virtual claims-handling processes, where advantageous.



Considerations for the road ahead

Knowing details on first parties, third parties and vehicles becomes especially important to insurance carriers when processing Property Damage and Collision claims, considering the severity trends these claims took in the second half of 2021. These trends are likely to continue under the current economic conditions. We leveraged the Claims Dashboard within LexisNexis® Insurance Market Insights, a platform through which insurers can gain a current view of their performance against the industry, to track these severity trends.

The correlation between Collision severity and Total Loss creates an area of opportunity for you, as Total Loss claims are also on the rise. Due to their complexity and the protracted time they can take to close, Total Loss claims can be frustrating for customers. As a result, policy shopping often follows.

If you're looking to improve the customer experience and keep your valued clientele, the Total Loss process might offer some of the most fertile ground for you in terms of adding automated features to your workflow to deepen your insights and streamline processes.

Real-time data and analytics-based solutions are positioned to change the game for how you manage Total Loss today and could reduce settlement time from weeks to days. You can easily put title, state taxes and fees, and lienholder payoff data at your adjusters' fingertips by integrating a solution like LexisNexis® VINsights into your workflow—saving your adjusters time and creating a better experience for your customers.

Virtual processing gains traction

In our 2021 Future of Claims Study, we conducted an anonymous survey of 1,750 consumers to gauge their readiness for self-service claims processing. Millennials, Gen Xers and Baby Boomers reported increased comfort levels with the virtual claims activities we included in the survey (Figure 15). Although Baby Boomers lagged Millennials and Gen Xers in receptiveness to these same features, their comfort levels are increasing over time.

Millennials, Gen Xers and Baby Boomers are becoming significantly more comfortable with consumer self-service options for virtual claims processing.

Percent who prefer self-service options

	Millennials		Gen X		Baby Boomers	
	2019	**2021**	**2019**	**2021**	**2019**	**2021**
Pre-claim activities	7 pts less	48%*	16 pts less	53%*	9 pts less	36%*
Submit FNOL	10 pts less	46%*	14 pts less	47%*	13 pts less	36%*
Submit photos/documents	9 pts less	50%*	7 pts less	49%*	9 pts less	40%*
Submit estimates	9 pts less	47%*	5 pts less	40%*	8 pts less	34%*
Check claims approval/payment status	2 pts less	53%*	5 pts less	56%*	8 pts less	50%*

*Denotes a significant change from 2019 Future of Claims Study

Figure 15. The concept of virtual claims processing is gaining traction across generational segments.

Consumers' increasing receptivity to digital self-service options could be due to the prevalence of digital interactions outside of insurance. In other words, your customers are getting comfortable with self-service digital services in many aspects of their lives—including banking, consumer packaged goods and education. Many of these industries deliver experiences that are intuitive and seamless. Thus, they've set the bar for how customers will evaluate you in delivering similar services.

Overall, the number of "touches" required to close a claim has not improved when compared to data from our 2019 Future of Claims Study. Yet we know these multiple touch points continue to be a cause of frustration for claimants. We learned from our study that consumers are speaking with multiple people when settling claims (Figure 16). Today, 29% of consumers speak with three or more people to get their claims settled.

Survey of people who have experienced a recent claim

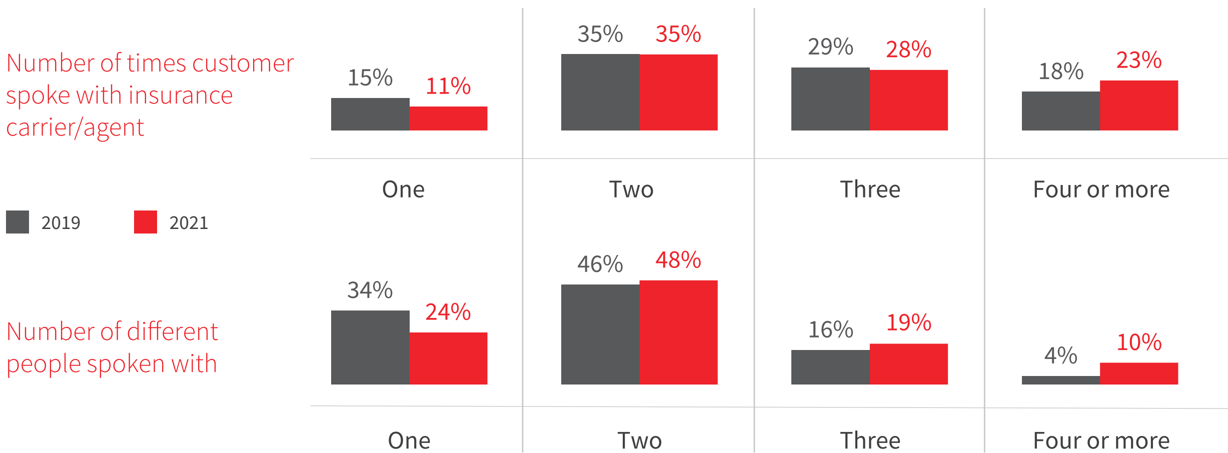


Figure 16. With the availability of virtual processes, the number of touches can be reduced significantly.

Mike Greene
CEO
Hi Marley

"The power of having real-time data is invaluable for enhancing the claims customer experience," said Mike Greene, CEO of Hi Marley. "The Hi Marley Insurance Cloud and LexisNexis Risk Solutions share the goal of improving the claims experience for consumers and insurance carriers alike. Whether it's prefilled data, easy access to claims professionals, speed of response or ensuring customers are communicating with their insurers in the ways they prefer, the results are the same. Claims close faster and customers are delighted with an advanced insurance experience expected in today's digital-first world."

Considerations for the road ahead

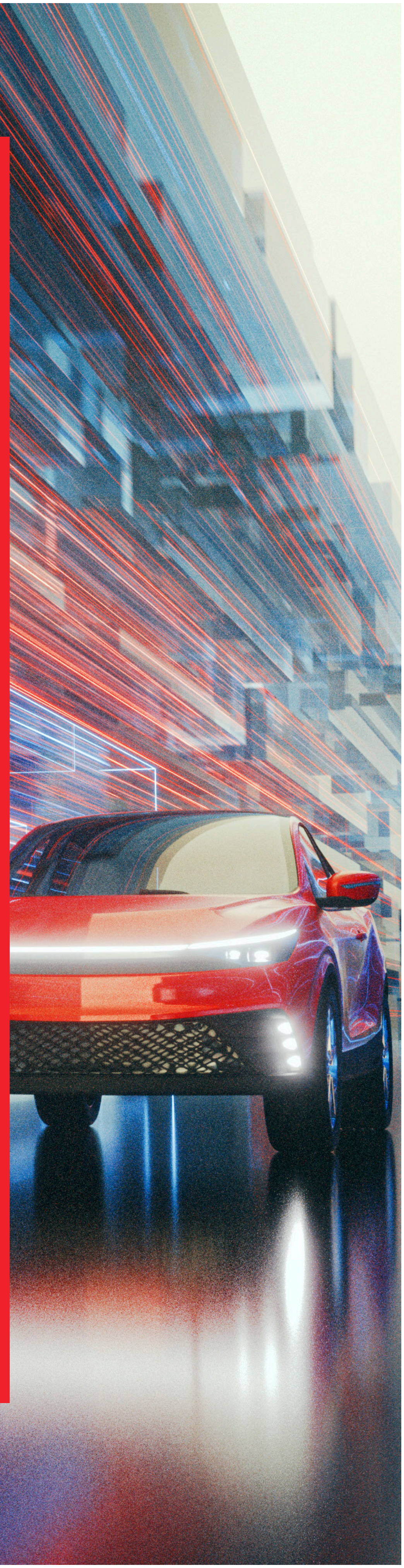
The disconnect between the “touchless” experience customers want and the current experience insurance carriers are delivering is an opportunity for integrating more virtual processing features into your claims workflow. Claims triage is an excellent starting place.

Automated solutions that immediately identify claim type, complexity and potential issues can reduce the number of touches you make on a claim and with your customers while accelerating claim time-to-close. For example, LexisNexis® Claims Clarity draws on expansive data sets like public records and claims history and offers actionable insights at first notice of loss (FNOL) and in real time.

When it comes to the claims experience, the digital transformation continues. Within the perfect storm of workforce challenges, car repair part shortages and inflation, customers still expect their insurers to deliver the superior experiences they have become used to in other aspects of their lives.

Making the adjuster role easier and the customer experience better is no small feat against the backdrop of the Great Resignation. With labor shortages, more insurers are focusing on adjusters and call center employees, because these groups work directly with customers. Data and technology like AI and virtual estimation can drive down costs, reduce inefficiencies and improve bottom lines. Increasingly, insurers are looking to integrate these capabilities as early as FNOL.

The more you focus on better equipping your teams with the data and technologies that make their jobs easier, the better able they’ll be to deliver exceptional experiences to your customers. Virtual claims processing is your path to get there. Your customers will welcome this change.



Regulatory environment

The regulatory environment is putting pressure on core rating variables

State regulatory activities related to concerns about the impact of COVID-19 on consumers continued to grow in 2021 (Figure 17), including in states that re-introduced legislation that had not passed in previous years. While there were many bills proposed, Colorado passed the most broad insurance regulatory legislation in 2021. Six states closed last year with significant bills and proposals banning or restricting data to be used in risk-based insurance and underwriting that were carried into the 2022 legislative sessions. Additional states have proposed legislation thus far during the 2022 sessions.

States with significant activity in 2021 relative to credit-based insurance scores

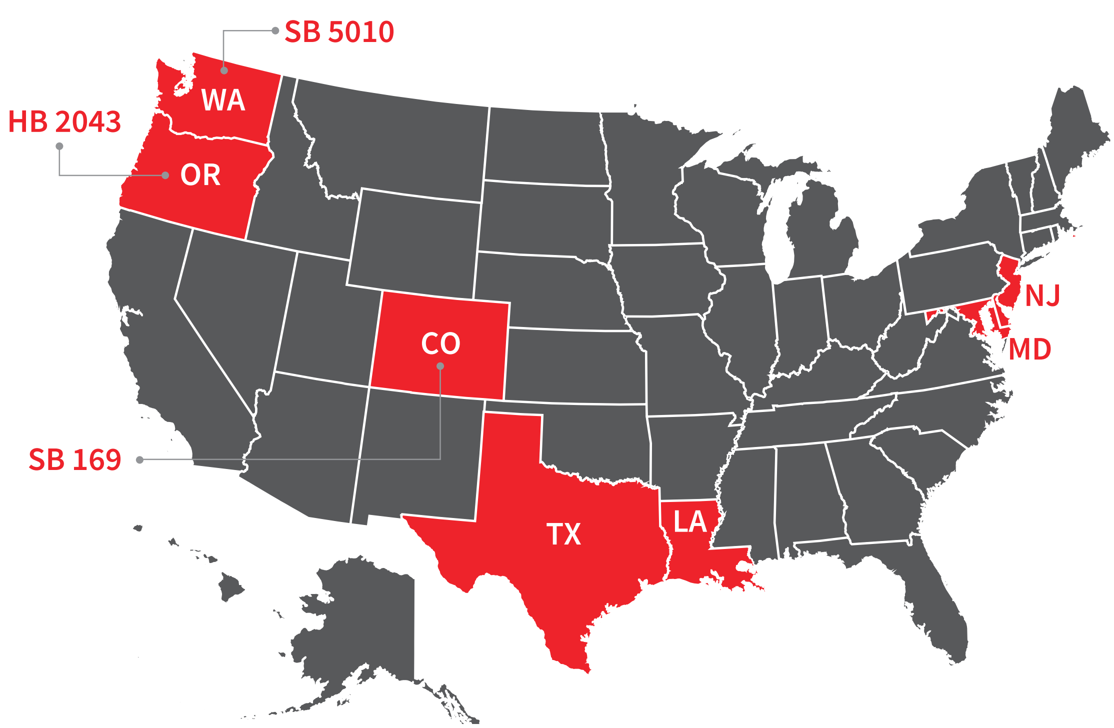


Figure 17. The legislative landscape is changing rapidly.

These trends highlight an opportunity to share additional information with consumer advocates, regulators and legislators about the benefits of using third-party data in risk-based insurance underwriting and pricing.

In fact, 85% of new U.S. consumer auto insurance policies in 2021 benefited from LexisNexis Risk Solutions contributory products.

In 2022, our conversations will continue with insurance carriers, trade organizations, regulators and others in the industry to help share information about methodologies used for testing models, the importance of risk-based pricing, and the difference between financial credit scores and credit-based insurance scores—as well as the stability of those scores over time to benefit consumers.

Considerations for the road ahead

We know the importance you place on continued fairness and accuracy of the models you use for underwriting.

At LexisNexis Risk Solutions, our internal analysis is consumer-focused for every attribute used relative to model development. We use time-tested linear regression in the form of generalized linear models (GLMs) to explain the predictors. This process and its details are part of the conversations we have with regulators prior to filing.

For more information about regulatory compliance in the use of data insights in auto underwriting, please reach out to us at InsuranceRQ@lexisnexisrisk.com.

Data is key to navigating market stressors

The auto insurance industry is rapidly evolving in response to both internal and external factors. Thus, it remains important to have a clear and comprehensive view of the policy lifecycle, supported by accurate and comprehensive data assets. This view can help you price and rate risk more accurately, process claims more efficiently, and provide better service to your customers.

Keeping up with trends and taking a proactive approach to using them to your best advantage will allow you to make the right decisions for your business and set you apart from the competition, now and into the future.

LexisNexis Risk Solutions has many resources to help you keep a pulse on the market:

- Stay on top of industry developments through our new LexisNexis® Insurance Market Insights solution, which can keep you informed on an ongoing basis as well as allow you to benchmark your own shopping and claims performance to the competition.
- Subscribe to the LexisNexis® Insurance Demand Meter for a free quarterly report in which we share and comment on the latest U.S. auto insurance shopping trends so you can get a holistic view of the industry and make decisions accordingly.
- Leverage the InsurQuote® product suite so you can stay abreast of the latest rating developments and strategically adjust your practices to align with them.

Authors

Adam Pichon

Vice President & General Manager, U.S. Auto & Home Insurance Data
LexisNexis® Risk Solutions

Chris Rice

Associate Vice President, Strategic Business Intelligence
LexisNexis® Risk Solutions

Gary Sanginario

Associate Vice President, Insurance Market Education
LexisNexis® Risk Solutions

John Kanet

Senior Director, Auto Insurance Data
LexisNexis® Risk Solutions

Kam Lidhar

Director, Auto Insurance Data
LexisNexis® Risk Solutions

Liz Rozier Jones

Director, Auto Insurance Data
LexisNexis® Risk Solutions

Marc Gordan

Head of Global Telematics Product Strategy & Development, U.S. Connected Car
LexisNexis® Risk Solutions

Tanner Sheehan

Vice President & General Manager of U.S. Claims Data
LexisNexis® Risk Solutions

Tim Grant

Senior Director, Auto Underwriting Data
LexisNexis® Risk Solutions

Notes:

i https://www.coxautoinc.com/news/cox-automotive-u-s-auto-sales-forecast-december-2021/

ii https://www.ajc.com/news/when-will-car-prices-go-down/D3AF63KPDFAQNKGCPUIXQNB6RQ/

iii New-Vehicle Supply Exceeds 1 Million Units as Domestic Automakers Build Inventory - Cox Automotive Inc. (coxautoinc.com)

iv The Impact of Advanced Driver Assistance Systems (ADAS) on Insurance Claims, LexisNexis Risk Solutions

v U.S. Vehicle Sales (January 2022) (td.com)

vi LexisNexis Risk Solutions internal research looking at vehicles with embed connectivity hardware and active connectivity

vii Distracted Driving – A Public Health Epidemic (togetherforsaferroads.org)

viii Citations for driving over 100 mph climbing in Nevada (ncadvertiser.com)

For more information, call 800.458.9197, or email insurance.sales@lexisnexisrisk.com

LexisNexis®
RISK SOLUTIONS

About LexisNexis® Risk Solutions

LexisNexis® Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit www.risk.lexisnexis.com and www.relx.com.